



Experts urge calm

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By Bruce Edwards Rutland Herald

Don't panic.

That's the advice from two state officials and a Burlington financial planner to small investors shell shocked by the recent turmoil that has roiled the financial markets, including Monday's 500-point sell off on Wall Street.

State Treasurer Jeb Spaulding, who handles \$3 billion in retirement accounts, offered some general advice saying individuals would be wise to discuss their investment portfolios with a financial adviser before making any moves.

Tom Candon, deputy commissioner of the state Banking, Securities, Insurance and Health Care Administration, offered similar advice.

Candon said the department received a number of calls Monday from people concerned about their investments that may have been purchased or tied in some way to Lehman Brothers, Merrill Lynch or AIG.

Lehman Brothers filed for Chapter 11 bankruptcy on Monday. Bank of America agreed to buy troubled Merrill Lynch while AIG sought an infusion of fresh capital to stave off further financial problems.

"I think people looking for investment advice should go back to the person they purchased it from or their (financial) adviser," Candon said.

He said the three companies in question have many subsidiaries and affiliates that in turn offer many different products.

AIG has a direct connection to Vermont, owning Stowe Mountain Resort, one of the state's major ski areas. Stowe is currently undergoing a major expansion.

The state oversees three retirement accounts for state employees, teachers and municipal workers. In total, those accounts hold in excess of \$3 billion.

All three funds are defined as benefit pension plans that pay out a guaranteed amount to a retired employee based on years of service and salary.

For the 12 months that ended June 30, Spaulding said the three funds were down approximately 6 percent. Since June, he estimated the funds are down another 1 percent or 2 percent. But he said the funds have a long-term investment horizon and are meant to withstand the ups and downs of the market.

"To those people who are beneficiaries in the pension funds, the state employees and teachers

and municipal (employees), their benefits are secure and are not jeopardized by the market cycles," Spaulding said. "I have a great deal of sympathy for people who don't have those kind of defined benefit plans."

He said the three retirement funds cover 40,000 current and retired workers.

For someone with a 401(k) or individual retirement account there is guaranteed monthly payout. The payout is based solely on how much money is in the 401(k) and/or IRA at the time of retirement. The payouts continue until the money runs out.

"For people that are close to retirement ... you should be leaning toward being more conservative and knowing that approximately 4 percent of your assets can be taken out each year without invading your principal and that's what you should plan on," said Karen Paul, a Burlington certified financial planner, who writes a column for the Sunday Rutland Herald and Barre-Montpelier Times Argus.

Paul said someone within 10 years of retirement should be "well-diversified, either stocks or mutual funds and having a presence in cash and a presence in quality bonds."

The state's pension funds are under the auspices of the Vermont Pension Investment Committee. The committee gets help with its investment choices from New England Pension Consultants.

As far as the state's day-to-day operations go, Spaulding said the state is in good shape with \$150 million in cash. He said the state has not had to resort to short-term borrowing in several years.

When the state goes to Wall Street at the end of the year to bond for capital projects, he said Vermont's AAA credit rating will serve the state well because municipal bonds are viewed as safe investments, especially in the current market.

He said the storm clouds of the current crisis became apparent more than a year ago.

"We knew there was a softening housing market, that there was going to be significant credit problems, that we were likely to see spiraling energy costs and the possibility of a recession," he said.

With that forecast, Spaulding said the state made sure its pension funds continued to be well diversified.

"There's no doubt about the fact that we're in a time of risk out there and it's not clear how and when the seas are going to calm again but I know that they will," he said.

Paul agreed that more turbulence is likely in the months ahead. "The subprime disaster has not yet been fully fleshed out of the market," she said. "I think that's what's happening here."

Contact Bruce Edwards at bruce.edwards@rutlandherald.com.